## **Income Tax - Colorado Source Capital Gain Subtraction – Grantor Trusts**

How is the holding period of an asset transferred from an individual to a grantor trust determined for the Colorado source capital gain subtraction?

An asset must be directly and without interruption owned by a taxpayer for five years (or one year if the expanded rule applies to the tax year) to qualify for the Colorado source capital gain subtraction. Due to the unique attributes of a grantor trust, the transfer of an asset to a grantor trust does not interrupt the holding period. Therefore, to determine if the sale of an asset meets the holding period requirements of the subtraction, the acquisition date of the asset will be considered to be the date when the individual originally acquired title to the asset.